

TOWNSHIP OF OTISCO
Ionia County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2007

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Otisco	County Ionia
Audit Date March 31, 2007	Opinion Date June 19, 2007	Date Accountant Report Submitted to State: June 25, 2007	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

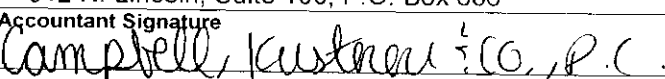
1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature 			

TOWNSHIP OF OTISCO
Ionia County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

June 19, 2007

To the Township Board
Township of Otisco
Ionia County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Township of Otisco, Ionia County, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Otisco's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Otisco, Ionia County, Michigan as of March 31, 2007, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF OTISCO
Ionia County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

The Management's Discussion and Analysis report of the Township of Otisco covers the Township's financial performance during the year ended March 31, 2007.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2007, totaled \$1,130,585.50.

Overall revenue was \$477,973.09. Governmental activities had a \$32,331.74 increase in net assets with major road improvements of \$180,895.93 and a decrease of 1% in revenue sharing.

Taxable value increased by approximately \$5,417,918.00 or 8.7%.

We did not incur any debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

Total revenue of the Township was \$477,973.09 and expenses \$442,641.35 resulting in an increase in fund balances of \$35,331.74 or 3.1% within the last year. The taxable value has increased by 8.7%.

The Township assets are \$1,130,585.50 with no liabilities at the end of the fiscal year.

FUND FINANCIAL STATEMENTS

There are four funds:

1. General Fund is for the Township major activities.

Revenue	278 085 55
Expenses	183 499 28
Fund Balance	738 008 03
2. Road Fund has a voted 2.0 millage source of revenue and State share telecommunication contributions.

Revenue	130 746 06
Expenses	180 845 93
Fund Balance	213 410 08

TOWNSHIP OF OTISCO
Ionia County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2007

FUND FINANCIAL STATEMENTS (continued)

3. Fire Fund has a voted 1.0 millage source of revenue with additional monies transferred from the General Fund in order to meet total expenses.

Revenue	63 047 93
Expenses	74 623 74
Fund Balance	40 853 65

4. Cemetery Fund.

Revenue	6 093 55
Expenses	3 622 40
Fund Balance	19 313 74

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year the Township purchased emergency fire and rescue service at a fixed base cost of \$47,010.00 and additional per run costs of \$27,613.00. In addition the Township paid an ambulance contract of \$17,605.00.

The Township made road safety improvements at the intersection of Bartonville and Gold Lake roads at a cost of \$88,324.00 for the 2006-2007 year.

During the 2006 season, ten thousand cubic yards of road gravel was distributed over ten miles of local roads at a cost of \$70,969.00.

Road dust control treatment which also helps retain the gravel was distributed twice on all gravel roads at a cost of \$21,600.00.

A community annual clean-up day was initiated at a cost of \$3,750.00.

Our cash position remains strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for the major portion of the Township expenses of \$183,499.28. The Fire Fund is financed by the 1.0 voted millage and General Fund, with an expense of \$74,623.74. The Road Fund is self-supporting with the expense of \$180,895.93 this past year. The Cemetery Fund is sourced by grave lot sales and interest from perpetual funds.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The township has not invested in capital assets and has no debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents 33% of our income. We continue to grow at a 8.7% rate in taxable values with little demand for infrastructure, except good roads. Industrial tax abatements have been approved in order to encourage job growth. With the above growth rate, land use planning through our Planning Commission and Zoning Administrator remain a major activity at a cost of 8% of the total expenditures.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 616-794-3506, or 9663 W. Button Road, Belding, Michigan 48809.

TOWNSHIP OF OTISCO
Ionia County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank	983 362 08
Taxes receivable	<u>28 223 42</u>
Total Current Assets	<u>1 011 585 50</u>
NON-CURRENT ASSETS:	
Capital Assets	155 000 00
Less: Accumulated Depreciation	<u>(36 000 00)</u>
Total Non-current Assets	<u>119 000 00</u>
TOTAL ASSETS	<u><u>1 130 585 50</u></u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES	<u>-</u>
Total Current Liabilities	<u>-</u>
NON-CURRENT LIABILITIES	<u>-</u>
Total Non-current Liabilities	<u>-</u>
Total Liabilities	<u>-</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	119 000 00
Reserved for cemetery care	19 313 74
Unrestricted	<u>992 271 76</u>
Total Net Assets	<u>1 130 585 50</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>1 130 585 50</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF OTISCO
Ionia County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2007

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	15 206 21	-	(15 206 21)
General government	112 624 74	33 214 36	(79 410 38)
Public safety	128 433 82	4 375 00	(124 058 82)
Public works	184 378 52	-	(184 378 52)
Culture and recreation	4 998 06	-	(4 998 06)
Total Governmental Activities	<u>445 641 35</u>	<u>37 589 36</u>	<u>(408 051 99)</u>
General Revenues:			
Property taxes			252 227 53
State revenue sharing			156 370 00
Interest			27 089 30
Miscellaneous			<u>4 696 90</u>
Total General Revenues			<u>440 383 73</u>
Change in net assets			32 331 74
Net assets, beginning of year			<u>1 098 253 76</u>
Net Assets, End of Year			<u>1 130 585 50</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF OTISCO
Ionia County, Michigan

BALANCE SHEET – GOVERNMENTAL FUNDS
March 31, 2007

	<u>General</u>	<u>Roads</u>	<u>Fire</u>
<u>Assets</u>			
Cash in bank	722 843 18	199 020 59	33 659 32
Taxes receivable	7 932 90	13 527 29	6 763 23
Due from other funds	<u>7 231 95</u>	<u>862 20</u>	<u>431 10</u>
Total Assets	<u><u>738 008 03</u></u>	<u><u>213 410 08</u></u>	<u><u>40 853 65</u></u>
<u>Liabilities and Fund Equity</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund equity:			
Fund balances:			
Reserved for cemetery care	-	-	-
Unreserved:			
Undesignated	<u>738 008 03</u>	<u>213 410 08</u>	<u>40 853 65</u>
Total fund equity	<u><u>738 008 03</u></u>	<u><u>213 410 08</u></u>	<u><u>40 853 65</u></u>
Total Liabilities and Fund Equity	<u><u>738 008 03</u></u>	<u><u>213 410 08</u></u>	<u><u>40 853 65</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
19 313 74	974 836 83
-	28 223 42
<u>-</u>	<u>8 525 25</u>
<u>19 313 74</u>	<u>1 011 585 50</u>
<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>
19 313 74	19 313 74
-	992 271 76
<u>19 313 74</u>	<u>1 011 585 50</u>
<u>19 313 74</u>	<u>1 011 585 50</u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

March 31, 2007

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS 1 011 585 50

Amounts reported for governmental activities in the statement of
net assets are different because –

Capital assets used in governmental activities are not financial resources and
therefore are not reported in the governmental funds balance sheet:

Capital assets at cost	155 000 00
Accumulated depreciation	<u>(36 000 00)</u>

TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES 1 130 585 50

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF OTISCO
Ionia County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS

Year ended March 31, 2007

	<u>General</u>	<u>Roads</u>	<u>Fire</u>
Revenues:			
Property taxes	64 687 91	125 028 46	62 511 16
Licenses and permits	7 508 02	-	-
State revenue sharing	156 370 00	-	-
Charges for services – PTAF	24 258 94	-	-
Charges for services – cemetery	-	-	-
Interest	20 620 54	5 717 60	536 77
Miscellaneous	4 640 14	-	-
	<u>278 085 55</u>	<u>130 746 06</u>	<u>63 047 93</u>
Total revenues			
Expenditures:			
Legislative:			
Township Board	15 206 21	-	-
General government:			
Supervisor	10 043 64	-	-
Elections	3 314 04	-	-
Professional services	8 537 94	-	-
Assessor	15 943 08	-	-
Clerk	13 446 01	-	-
Board of Review	1 333 10	-	-
General services administration	23 263 62	-	-
Treasurer	13 979 02	-	-
Building and grounds	5 751 41	-	-
Cemetery	9 981 33	-	-
Unallocated	409 15	-	-
Public safety:			
Fire protection	-	-	74 623 74
Ambulance	17 605 00	-	-
Planning and zoning	36 205 08	-	-
Public works:			
Highways and streets	-	180 895 93	-
Drains	1 779 00	-	-
Street lighting	1 703 59	-	-
Other:			
Payroll taxes	4 998 06	-	-
	<u>183 499 28</u>	<u>180 895 93</u>	<u>74 623 74</u>
Total expenditures			
Excess (deficiency) of revenues over expenditures	94 586 27	(50 149 87)	(11 575 81)
Fund balances, April 1	643 421 76	263 559 95	52 429 46
Fund Balances, March 31	<u>738 008 03</u>	<u>213 410 08</u>	<u>40 853 65</u>

The accompanying notes are an integral part of these financial statements.

<u>Other Funds</u>	<u>Total</u>
-	252 227 53
-	7 508 02
-	156 370 00
-	24 258 94
5 822 40	5 822 40
214 39	27 089 30
<u>56 76</u>	<u>4 696 90</u>
<u>6 093 55</u>	<u>477 973 09</u>

-	15 206 21
-	10 043 64
-	3 314 04
-	8 537 94
-	15 943 08
-	13 446 01
-	1 333 10
-	23 263 62
-	13 979 02
-	5 751 41
3 622 40	13 603 73
-	409 15
-	74 623 74
-	17 605 00
-	36 205 08
-	180 895 93
-	1 779 00
-	1 703 59
<u>-</u>	<u>4 998 06</u>
<u>3 622 40</u>	<u>442 641 35</u>

2 471 15	35 331 74
<u>16 842 59</u>	<u>976 253 76</u>
<u>19 313 74</u>	<u>1 011 585 50</u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended March 31, 2007

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	35 331 74
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities,
these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(3 000 00)
Capital Outlay	<u>-</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>32 331 74</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF OTISCO
Ionia County, Michigan
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Otisco, Ionia County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Otisco. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

TOWNSHIP OF OTISCO
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Permanent Fund

The Cemetery Perpetual Care Fund is used to account for assets that are legally restricted.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2006 tax roll millage rate was 3.8854 mills, and the taxable value was \$62,480,145.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

TOWNSHIP OF OTISCO
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$5,000.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building	30 years
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Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

TOWNSHIP OF OTISCO
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>995 132 82</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	214 313 74
Uninsured and Uncollateralized	<u>780 819 08</u>
Total Deposits	<u>995 132 82</u>

The Township of Otisco did not have any investments as of March 31, 2007.

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	<u>Balance 4/1/06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/07</u>
<u>Governmental Activities:</u>				
Land	65 000 00	-	-	65 000 00
Building	<u>90 000 00</u>	<u>-</u>	<u>-</u>	<u>90 000 00</u>
Total	155 000 00	-	-	155 000 00
Accumulated Depreciation	<u>(33 000 00)</u>	<u>(3 000 00)</u>	<u>-</u>	<u>(36 000 00)</u>
Net Capital Assets	<u>122 000 00</u>	<u>(3 000 00)</u>	<u>-</u>	<u>119 000 00</u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2007

Note 5 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes an amount of each employee's annual salary to the plan. Pension expense for the fiscal year ended March 31, 2007, was \$6,446.00.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

The Township of Otisco does not issue building permits. Building permits are issued by the County of Ionia.

Note 9 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	7 231 95	Current Tax Collection	7 231 95
Fire	431 10	Current Tax Collection	431 10
Road	<u>862 20</u>	Current Tax Collection	<u>862 20</u>
Total	<u>8 525 55</u>	Total	<u>8 525 55</u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	64 100 00	64 100 00	64 687 91	587 91
Licenses and permits	7 750 00	7 750 00	7 508 02	(241 98)
State revenue sharing	139 500 00	139 500 00	156 370 00	16 870 00
Charges for services:				
Property tax administration	10 000 00	10 000 00	24 258 94	14 258 94
Interest	8 500 00	8 500 00	20 620 54	12 120 54
Miscellaneous	910 00	910 00	4 640 14	3 730 14
Total revenues	<u>230 760 00</u>	<u>230 760 00</u>	<u>278 085 55</u>	<u>47 325 55</u>
Expenditures:				
Legislative:				
Township Board	16 315 00	16 315 00	15 206 21	(1 108 79)
General government:				
Supervisor	11 050 00	11 050 00	10 043 64	(1 006 36)
Elections	3 830 00	3 830 00	3 314 04	(515 96)
Professional services	11 200 00	11 200 00	8 538 94	(2 662 06)
Assessor	16 200 00	16 200 00	15 943 08	(256 92)
Clerk	14 635 00	14 635 00	13 446 01	(1 188 99)
Board of Review	1 700 00	1 700 00	1 333 10	(366 90)
General services administration	22 750 00	24 150 00	23 263 62	(886 38)
Treasurer	14 555 00	14 555 00	13 979 02	(575 98)
Building and grounds	6 450 00	6 450 00	5 751 41	(698 59)
Cemetery	8 200 00	10 000 00	9 981 33	(18 67)
Unallocated	600 00	600 00	409 15	(190 85)
Public safety:				
Fire protection	25 000 00	25 000 00	-	(25 000 00)
Ambulance	18 000 00	18 000 00	17 605 00	(395 00)
Planning and zoning	34 814 00	38 514 00	36 205 08	(2 308 92)
Public works:				
Highways and streets	150 000 00	150 000 00	-	(15 000 00)
Drains	3 500 00	3 500 00	1 779 00	(1 721 00)
Street lighting	1 700 00	1 710 00	1 703 59	(6 41)
Other:				
Payroll taxes	5 500 00	5 500 00	4 998 06	(501 94)
Contingency	479 137 09	473 848 46	-	(473 848 46)
Capital outlay	14 761 00	14 761 00	-	(14 761 00)
Total expenditures	<u>859 897 09</u>	<u>861 518 46</u>	<u>183 499 28</u>	<u>(678 019 18)</u>
Excess (deficiency) of revenues over expenditures	(629 137 09)	(630 758 46)	94 586 27	725 344 73
Fund balance, April 1	<u>629 137 09</u>	<u>630 758 46</u>	<u>643 421 76</u>	<u>12 663 30</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>738 008 03</u>	<u>738 008 03</u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

BUDGETARY COMPARISON SCHEDULE – ROADS FUND
Year ended March 31, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	121 000 00	121 000 00	125 028 46	4 028 46
State revenue sharing	3 700 00	3 700 00	-	(3 700 00)
Interest	<u>3 500 00</u>	<u>3 500 00</u>	<u>5 717 60</u>	<u>2 217 60</u>
Total revenues	<u>128 200 00</u>	<u>128 200 00</u>	<u>130 746 06</u>	<u>2 546 06</u>
Expenditures:				
Public works:				
Highways and streets	<u>228 200 00</u>	<u>228 200 00</u>	<u>180 895 93</u>	<u>(47 304 07)</u>
Total expenditures	<u>228 200 00</u>	<u>228 200 00</u>	<u>180 895 93</u>	<u>(47 304 07)</u>
Excess (deficiency) of revenues over expenditures	(100 000 00)	(100 000 00)	(50 149 87)	49 850 13
Fund balance, April 1	<u>251 634 48</u>	<u>251 634 48</u>	<u>263 559 95</u>	<u>11 925 47</u>
Fund Balance, March 31	<u><u>151 634 48</u></u>	<u><u>151 634 48</u></u>	<u><u>213 410 08</u></u>	<u><u>61 775 60</u></u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE FUND
Year ended March 31, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	60 000 00	60 000 00	62 511 16	2 511 16
Interest	-	-	536 77	536 77
Total revenues	<u>60 000 00</u>	<u>60 000 00</u>	<u>63 047 93</u>	<u>3 047 93</u>
Expenditures:				
Public safety:				
Fire protection	<u>85 000 00</u>	<u>85 000 00</u>	<u>74 623 74</u>	<u>(10 376 26)</u>
Total expenditures	<u>85 000 00</u>	<u>85 000 00</u>	<u>74 623 74</u>	<u>(10 376 26)</u>
Excess (deficiency) of revenues over expenditures	<u>(25 000 00)</u>	<u>(25 000 00)</u>	<u>(11 575 81)</u>	<u>13 424 19</u>
Other financing sources (uses):				
Operating transfers in	<u>25 000 00</u>	<u>25 000 00</u>	<u>-</u>	<u>(25 000 00)</u>
Total other financing sources (uses)	<u>25 000 00</u>	<u>25 000 00</u>	<u>-</u>	<u>(25 000 00)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>-</u>	<u>-</u>	<u>(11 575 81)</u>	<u>(11 575 81)</u>
Fund balance, April 1	<u>46 466 75</u>	<u>46 466 75</u>	<u>52 429 46</u>	<u>5 962 71</u>
Fund Balance, March 31	<u>46 466 75</u>	<u>46 466 75</u>	<u>40 853 65</u>	<u>(5 613 10)</u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

Township Board:	
Salaries	4 200 00
Pension	6 446 00
Miscellaneous	4 560 21
	<u>15 206 21</u>
Supervisor:	
Salary	9 999 96
Miscellaneous	43 68
	<u>10 043 64</u>
Elections:	
Wages	2 494 00
Miscellaneous	820 04
	<u>3 314 04</u>
Professional services:	
Legal	<u>8 537 94</u>
Assessor:	
Wages	15 400 08
Miscellaneous	543 00
	<u>15 943 08</u>
Clerk:	
Salary	12 275 04
Deputy	1 060 00
Miscellaneous	130 97
	<u>13 446 01</u>
Board of Review	<u>1 333 10</u>
General services administration:	
Postage	3 831 17
Supplies	1 289 02
Printing and publishing	4 758 84
Insurance	9 207 00
Miscellaneous	4 177 59
	<u>23 263 62</u>
Treasurer:	
Salary	12 275 04
Deputy	1 230 00
Miscellaneous	473 98
	<u>13 979 02</u>
Building and grounds:	
Supplies	79 57
Utilities	2 929 35
Repairs and maintenance	1 635 25
Miscellaneous	1 108 24
	<u>5 751 41</u>
Cemetery:	
Utilities	190 94
Repairs and maintenance	9 790 39
	<u>9 981 33</u>
Unallocated	<u>409 15</u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year ended March 31, 2007

Ambulance	<u>17 605 00</u>
Planning and zoning:	
Fees and per diem	7 290 00
Zoning Board of Appeals per diem	1 195 00
Zoning Administrator	25 695 00
Miscellaneous	<u>2 025 08</u>
	<u>36 205 08</u>
Drains at large	<u>1 779 00</u>
Street lighting	<u>1 703 59</u>
Payroll taxes	<u>4 998 06</u>
Total Expenditures	<u><u>183 499 28</u></u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS
March 31, 2007

	<u>Roads</u>	<u>Fire</u>	<u>Total</u>
<u>Assets</u>			
Cash in bank	199 020 59	33 659 32	232 679 91
Taxes receivable	13 527 29	6 763 23	20 290 52
Due from other funds	<u>862 20</u>	<u>431 10</u>	<u>1 293 30</u>
Total Assets	<u><u>213 410 08</u></u>	<u><u>40 853 65</u></u>	<u><u>254 263 73</u></u>
<u>Liabilities and Fund Balances</u>			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Unreserved:			
Undesignated	<u>213 410 08</u>	<u>40 853 65</u>	<u>254 263 73</u>
Total Liabilities and Fund Balances	<u><u>213 410 08</u></u>	<u><u>40 853 65</u></u>	<u><u>254 263 73</u></u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2007

	<u>Roads</u>	<u>Fire</u>	<u>Total</u>
Revenues:			
Property taxes	125 028 46	62 511 16	187 539 62
Interest	<u>5 717 60</u>	<u>536 77</u>	<u>6 254 37</u>
Total revenues	<u>130 746 06</u>	<u>63 047 93</u>	<u>193 793 99</u>
Expenditures:			
Public safety:			
Fire protection	-	74 623 74	74 623 74
Public works:			
Highways and streets	<u>180 895 93</u>	<u>-</u>	<u>180 895 93</u>
Total expenditures	<u>180 895 93</u>	<u>74 623 74</u>	<u>255 519 67</u>
Excess (deficiency) of revenues over expenditures	(50 149 87)	(11 575 81)	(61 725 68)
Fund balances, April 1	<u>263 559 95</u>	<u>52 429 46</u>	<u>315 989 41</u>
Fund Balances, March 31	<u><u>213 410 08</u></u>	<u><u>40 853 65</u></u>	<u><u>254 263 73</u></u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

BALANCE SHEET – PERMANENT FUND
March 31, 2007

	<u>Cemetery Perpetual Care</u>
<u>Assets</u>	
Cash in bank	<u>19 313 74</u>
Total Assets	<u>19 313 74</u>
<u>Liabilities and Fund Balances</u>	
Liabilities	<u>-</u>
Fund balances: Reserved	<u>19 313 74</u>
Total Liabilities and Fund Balances	<u>19 313 74</u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – PERMANENT FUND
Year ended March 31, 2007

	<u>Cemetery Perpetual Care</u>
Revenues:	
Charges for services	5 822 40
Interest	214 39
Miscellaneous	<u>56 76</u>
Total revenues	<u>6 093 55</u>
Expenditures – Cemetery	<u>3 622 40</u>
Excess (deficiency) of revenues over expenditures	2 471 15
Fund balance, April 1	<u>16 842 59</u>
Fund Balance, March 31	<u><u>19 313 74</u></u>

TOWNSHIP OF OTISCO
Ionia County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year ended March 31, 2007

	<u>Balance</u> <u>4/1/06</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/07</u>
<u>Assets</u>				
Cash in Bank	<u>9 319 90</u>	<u>1 867 454 33</u>	<u>1 856 478 24</u>	<u>20 295 99</u>
<u>Liabilities</u>				
Due to other funds	7 593 72	241 594 85	240 663 32	8 525 25
Due to others	<u>1 726 18</u>	<u>1 625 859 48</u>	<u>1 615 814 92</u>	<u>11 770 74</u>
Total Liabilities	<u>9 319 90</u>	<u>1 867 454 33</u>	<u>1 856 478 24</u>	<u>20 295 99</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 19, 2007

To the Township Board
Township of Otisco
Ionia County, Michigan

We have audited the financial statements of the Township of Otisco for the year ended March 31, 2007. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Otisco in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Township of Otisco
Ionia County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2007.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,



CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants